

Message Text

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PAGE 01 ALGIER 01266 291236Z

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INFO OCT-01 EUR-12 ISO-00 EB-07 COME-00 TRSE-00 L-03

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2507

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S E C R E T ALGIERS 1266

E.O. 11652: XGDS

TAGS: ENRG, AG

SUBJ: ALGERIAN LNG

REF: (A) ALGIERS 1229 (B) ALGIERS 0998

1. INSTITUTE OF GAS TECHNOLOGY GROUP (IGT) HAS SUBMITTED FINAL REPORT THIS WEEK TO SONATRACH ON US MARKET FOR ALGERIAN LNG. UNDERSTAND FROM CONVERSATION, PROTECT THAT REPORT INDICATES LARGE US MARKET FOR LNG AT FOB PRICE OF \$1.20-1.35 PER MILLION BTU OR ROUGHLY PRICE OF PERTAMIN'S RECENTLY APPROVED SALE TO WEST COAST.

2. GROUP COULD NOT BELIEVE ALGERIAN LNG SALES PRICES COULD STAY AT PRESENT LOW LEVEL. PRICE RISE WAS QUESTION OF TIMING. REPORT STRONGLY RECOMMENDS ALGERIA NOT INCREASE PRICE AS PART OF OVERALL OPEC CARTEL PRICE INCREASE. HOWEVER, GROUP BELIEVES ALGERIAN PRICE INCREASE COULD COME AT OPEC GABON MEETING IN JUNE. ALTERNATIVELY PRICE INCREASE COULD BE ANNOUNCED UNILATERALLY WHEN FRENCH FINISH WORK REPAIRING SKIKDA AT END OF SUMMER. THREE NEW HEAT EXCHANGERS FOR SKIKDA I ARE CLOSE TO COMPLETED IN FRANCE AND ARE SCHEDULED TO BE ADDED TO SKIKDA TRAIN I THIS SUMMER. FINALLY, PRICE INCREASE COULD BE

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PAGE 02 ALGIER 01266 291236Z

ANNOUNCED WITH SIGNING OF NEW LNG SALES AGREEMENTS

WITH DISTRIGAS AND EASTCOGAS REFTELS A AND B. GROUP BELIEVES FOREIGN CURRENCY NEEDS MAY FORCE ALGERIA TO RAISE GAS PRICES EARLIER THAN EXPECTED.

3. FOR THE RECORD, TURBINE PROBLEMS AT SKIKDA TRAIN 3 ARE SCHEDULED TO BE RESOLVED BY JUNE 5 WITH ADDITION OF NEW BEARINGS. SKIKDA TRAIN I IS OPERATING AT 90 PERCENT OF CAPACITY AND TRAIN II AT 106 PERCENT OF CAPACITY. FIRST QUARTER 1975 LNG DELIVERIES TO FRANCE FROM CAMEL AND SKIKDA TRAINS I AND II TOTALED 987,000 CUBIC METERS.

4. PRITCHARD OFFICIAL DISCUSSED SKIKDA 5 AND 6 COMPLETION DATES WITH EMBASSY. UNDER CONTRAFACT REVISION NEGOTIATED IN FEBRUARY 1975, PRITCHARD IS TO COMPLETE TRAIN 5 WITHIN 39 MONTHS (MAY 1977) AND TRAIN 6 WITH 42 MONTHS (AUGUST 1977). CIVIL WORKS ARE IN PROGRESS ON CITE AND ALL EQUIPMENT ORDERED SO THAT END OF 1977 OR EARLY 1978 ARE POSSIBLE COMPLETION DATES. PRITCHARD SAYS MANY OF THE PROBLEMS OF COMPLETING TRAIN 4 HAVE NOW BEEN WORKED OUT.

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